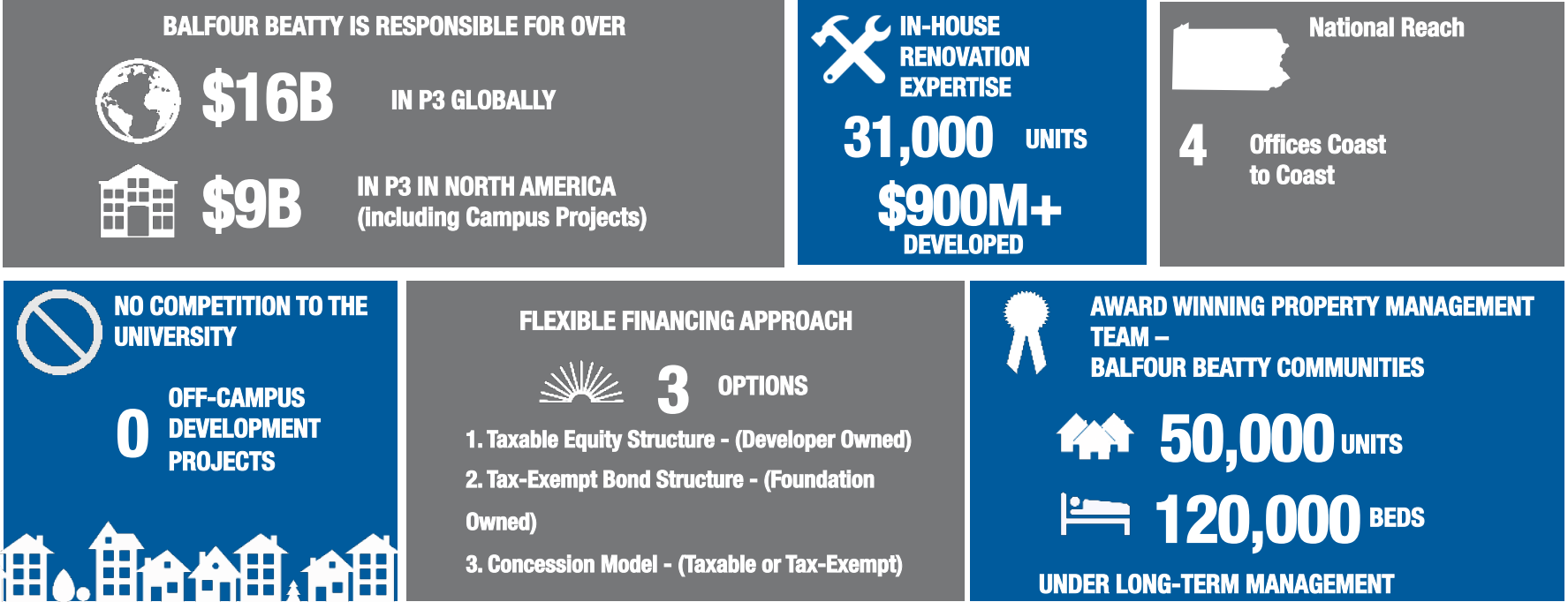


# P3's in Higher Education

**Balfour Beatty**  
Campus Solutions

# Who is Balfour Beatty?



## Balfour Beatty plc

Balfour Beatty

78,329 followers

22h



Our LAX Integrated Express Solutions (LINXS) joint venture team has successfully reached financial close of the 30-year design-build-finance-operate-maintain (DBFOM) Automated People Mover (APM) project! ...see more



**Balfour Beatty Reaches Financial Close of the Los Angeles International Airport Automated People Mover Project**

[balfourbeatty.com](https://balfourbeatty.com)

## Balfour Beatty plc

Balfour Beatty

78,330 followers

3w



We've reached a key milestone on The University of Manchester's £287 million Manchester Engineering Campus Development (MECD) project with the first reinforced concrete core reaching full height....  
...see more



## Balfour Beatty plc

Balfour Beatty

78,329 followers

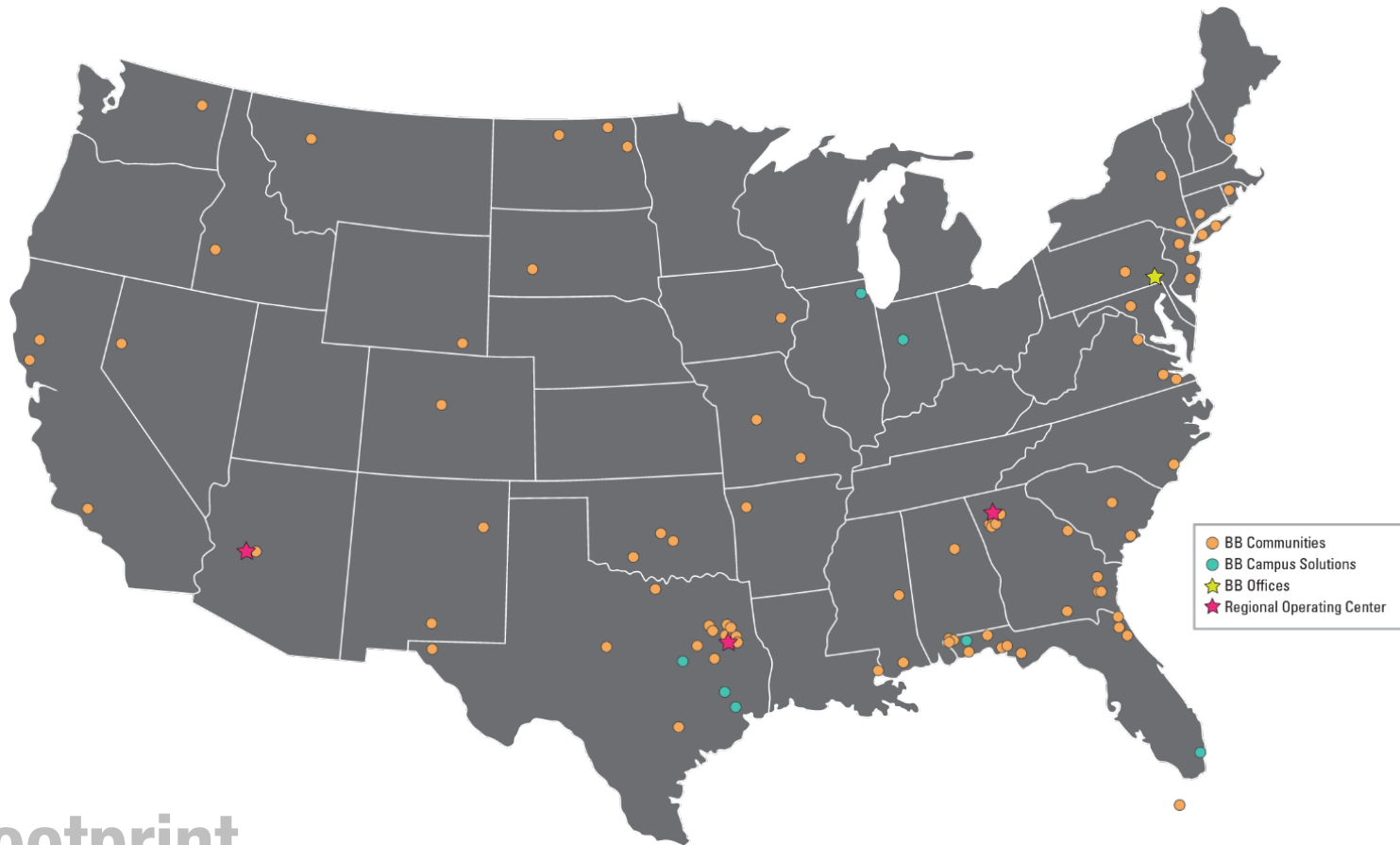
1w



We've been awarded two contracts worth c. £43.5 million for the Beaulieu to Keith 132kV modernisation programme.

<https://lnkd.in/e7kjj-S>





US Footprint

# Comprehensive Partnership

**Balfour Beatty**  
Campus Solutions

**Higher Education  
Development**



**Balfour Beatty**  
Investments

**P3 Investment**



**Balfour Beatty**  
Construction

**Construction  
Management**



**Balfour Beatty**  
Communities

**Property  
Management**



# P3's for Higher Education

# How did we get here?

Categories	Fall 2000	Fall 2013	Variance	% Change
Total Enrollment	8,675,000	11,674,000	2,999,000	34.6%
Total On-campus Housing	2,279,000	3,035,000	756,000	33.2%
Total PPP Housing	36,000	171,000	135,000	375.0%
<b>Total On-campus Housing as % of Total Enrollment</b>	<b>26.3%</b>	<b>26.0%</b>		
<b>Total PPP Housing as % of Total On-campus Housing</b>	<b>1.6%</b>	<b>5.6%</b>		

Note:

Enrollment and On-campus Housing data provided by the U.S. Department of Education and the National Center for Educational Statistics.

PPP housing data provided by George K. Baum & Company and Brailsford & Dunlavey.

On-campus and PPP data includes both on- and off-campus properties that are affiliated with the institution (i.e. public-private partnerships).

# What is the scale of Higher Ed P3?



## Market Size (not adj. for infl.)

- **+\$15 Billion in Trans. Volume**
  - 50% Bond Financed
  - 50% Debt / Equity
- **250,000 Beds Delivered**
- **Over 400 Transactions**
- **Avg. Scale: 700-900 Beds**
- **Avg. Trans.: \$40-\$75 Million**

# Why do institutions P3 then vs. now?

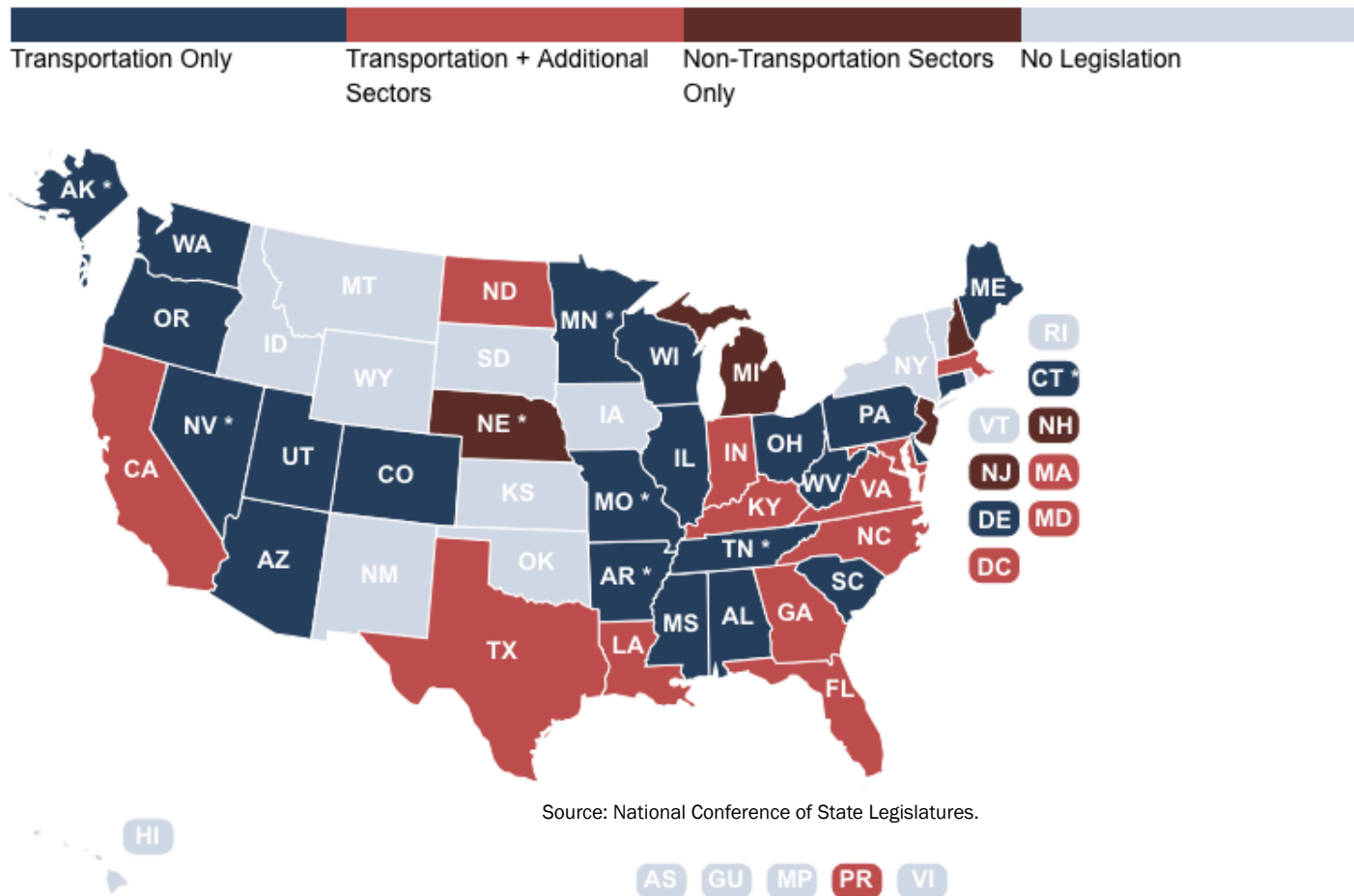
## **Institutions Then:**

- 1. Debt Capacity / Inability to Finance**
- 2. Avoid Cumbersome Procurement**
- 3. Avoid Institutional Premiums/Fees**
- 4. Development Expertise**
- 5. Financial Return to University  
(Ground lease rev. / excess cash flow)**

## **Institutions Now:**

- 1. Debt Capacity / Inability to Finance**
- 2. Avoid Cumbersome Procurement**
- 3. Avoid Institutional Premiums/Fees**
- 4. Development Expertise**
- 5. Financial Return to University (Ground lease rev. / excess cash flow)**
- 6. Faster Delivery (Time = Money)**
- 7. Land Assemblage**
- 8. Management Expertise**
- 9. Development Scale**
- 10. Risk Transfer (Upfront costs, budget and sched)**
- 11. Capacity Transfer (limited Fac Man resources)**

## States With P3 Enabling Legislation



# emerging trends?



1. Bundled Projects
2. Increased Retail Integration
3. Academic Integration
4. Hybrid Financial Approaches
5. Non-Housing P3's

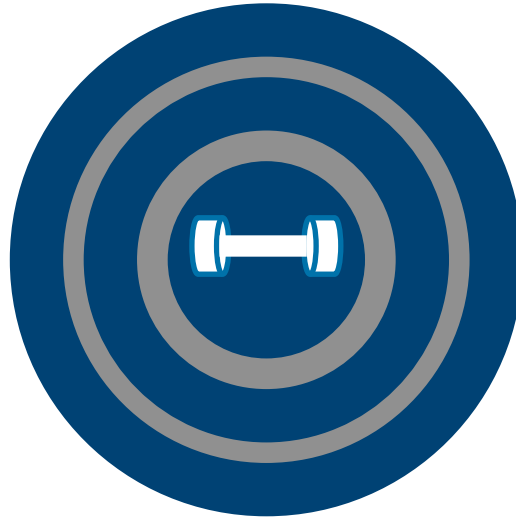
# P3 Financing Approaches

# Finance Approach

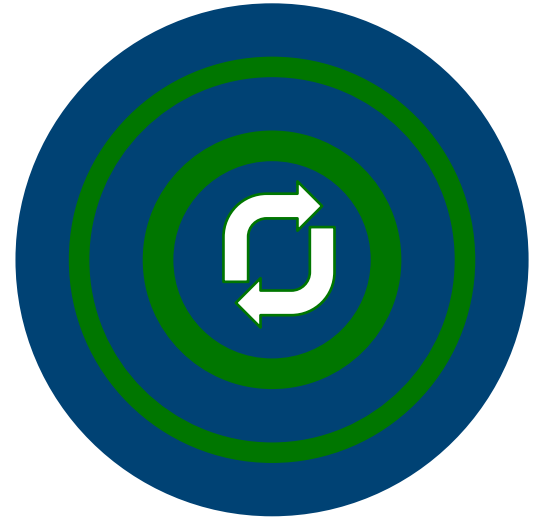
**AFFORDABILITY**



**LONG-TERM  
FACILITIES**



**RETURN TO  
UNIVERSITY**



### Availability Payment Structure



### Tax-Exempt Bond Structure / Sub Debt



### Developer Equity Structure



## P3 FINANCING SPECTRUM

### Tax-Exempt Bond Structure



### Concession Structure



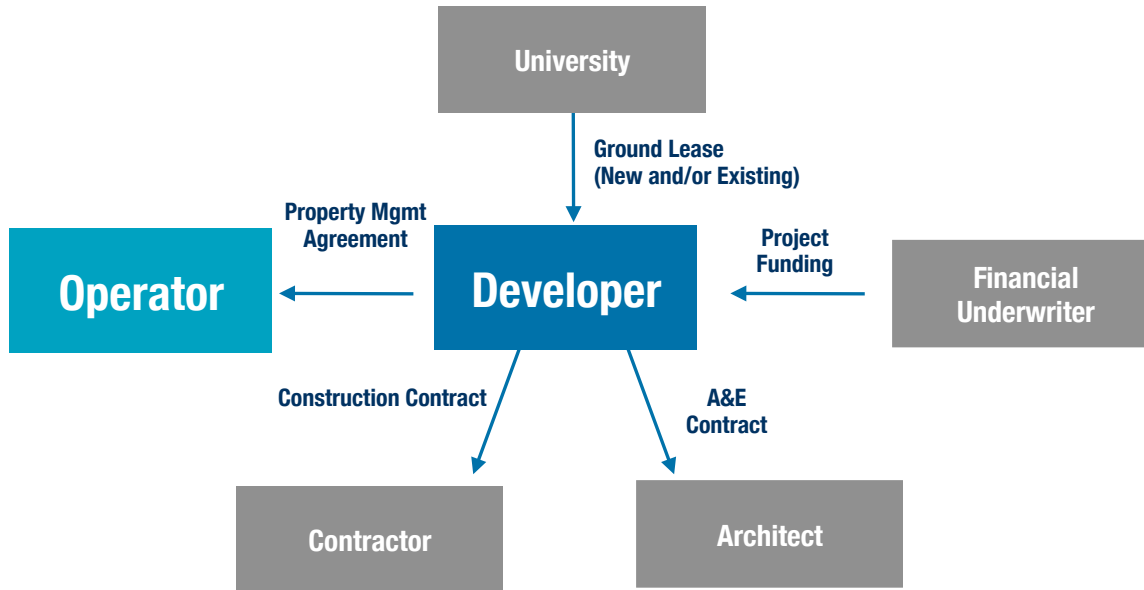
# Financing/Partnership Structures

# Typical Structure Terms

	Tax-Exempt Debt	Equity / Taxable Debt	Availability Payment	Concession
<b>Project Ownership</b>	501c3 Foundation	Developer	University	University
<b>Ground Lease Term</b>	32-40 years	40-60 years	30-50 years	40-60 years
<b>Equity Invested</b>	None	30-50%	10-20%	5-10%
<b>Operations</b>	Developer and/or University	Developer and/or University	Developer and/or University	Developer and/or University
<b>Net Cash Flow</b>	University receives 100% of NCF	% Split between University and Equity Returns	NCF to University, Lifecycle Account & Developer Equity Returns	NCF to University, Reinvestment Account & Developer Equity Returns
<b>Ad Valorem Taxes</b>	Exempt	Likely not exempt	Exempt	Exempt

# **Financing/Structure Case Studies**

# Equity Structure



## Description

- Balfour Beatty finances project with equity and debt
- 40-50 year ground lease cash flow sharing and/or fixed ground lease payment
- Developer or University operates
- Purchase options
- Project reverts to University at end of ground lease
- Off Balance Sheet Treatment

# University of Texas at Dallas



## Project Details:

### Community Type:

- Mixed/Use Master Development

### Number of Beds:

- Phase 1 (fall 2016) – 600 beds
- Phase 2 (fall 2018) – 900 beds

### Unit Types:

- Apartments and Townhomes

### Gross Square Feet:

- Phase 1 – 370,000 GSF w/ 16,814 GSF (retail)
- Phase 2 – TBD

### Total Project Cost:

- Phase 1 - \$46M
- Phase 2 - \$65M

### Management:

- 3<sup>rd</sup> Party – Balfour Beatty Communities

### Transaction Summary:

- Debt/Equity – 61-year Ground Lease



**University of Iowa**

## Project Details:

### Community Type:

- Graduate and Family Housing

### Number of Beds:

- Phase 1 (fall 2014) – 444 beds
- Phase 2 (fall 2016) – 420 beds

### Unit Types:

- Apartments

### Gross Square Feet:

- Phase 1 – 271,830 GSF
- Phase 2 – 265,000 GSF

### Total Project Cost:

- Phase 1 - \$31M
- Phase 2 - \$32M

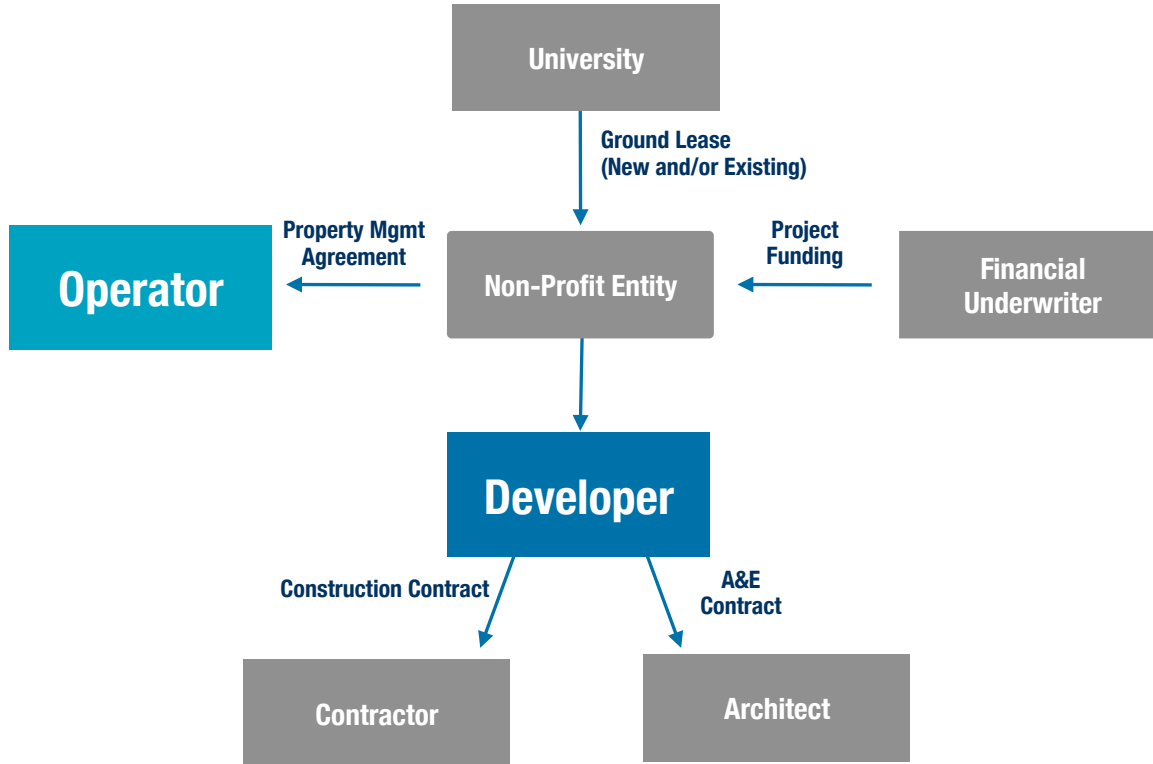
### Management:

- 3<sup>rd</sup> Party – Balfour Beatty Communities

### Transaction Summary:

- Debt/Equity – 50-year Ground Lease

# Tax Exempt Structure



## Description

- Project Financed through 501(c)(3) Foundation on 32-40 year ground lease
- Balfour Beatty is Fee Developer
- University receives 100% of Net Cash Flow
- University or Developer operates
- Opportunity to purchase existing housing
- Project reverts to University at end of ground lease
- Off Balance Sheet Treatment



# University of Oklahoma

## Project Details:

### Community Type:

- Residential Colleges

### Number of Beds:

- Fall 2018 – 1,221 beds

### Unit Types:

- Suites

### Gross Square Feet:

- 500,000 GSF (residential, retail, dining, fitness, academic)
- 1,000 space parking garage

### Total Project Cost:

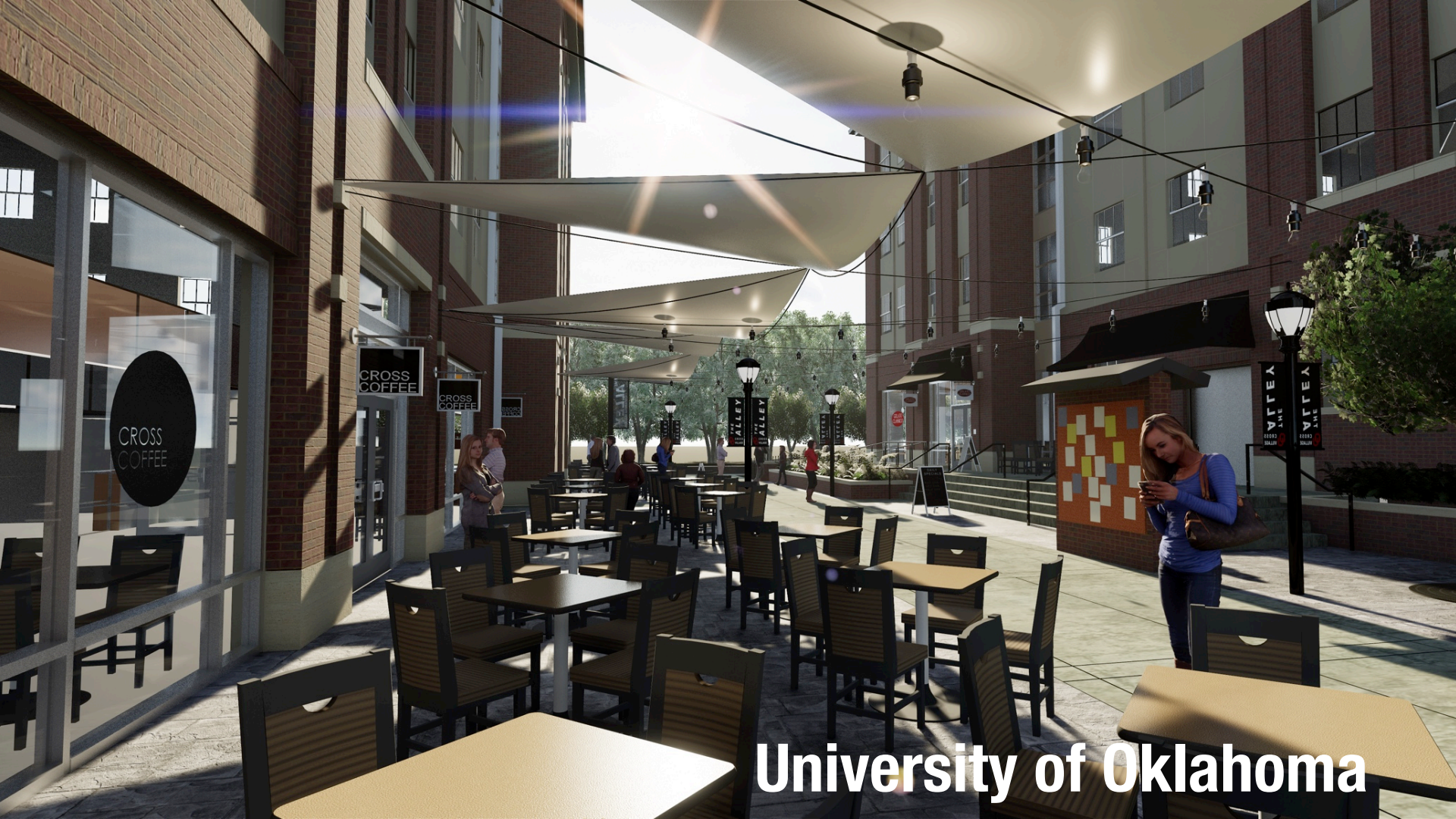
- \$170M

### Management:

- 3<sup>rd</sup> Party – Balfour Beatty Communities

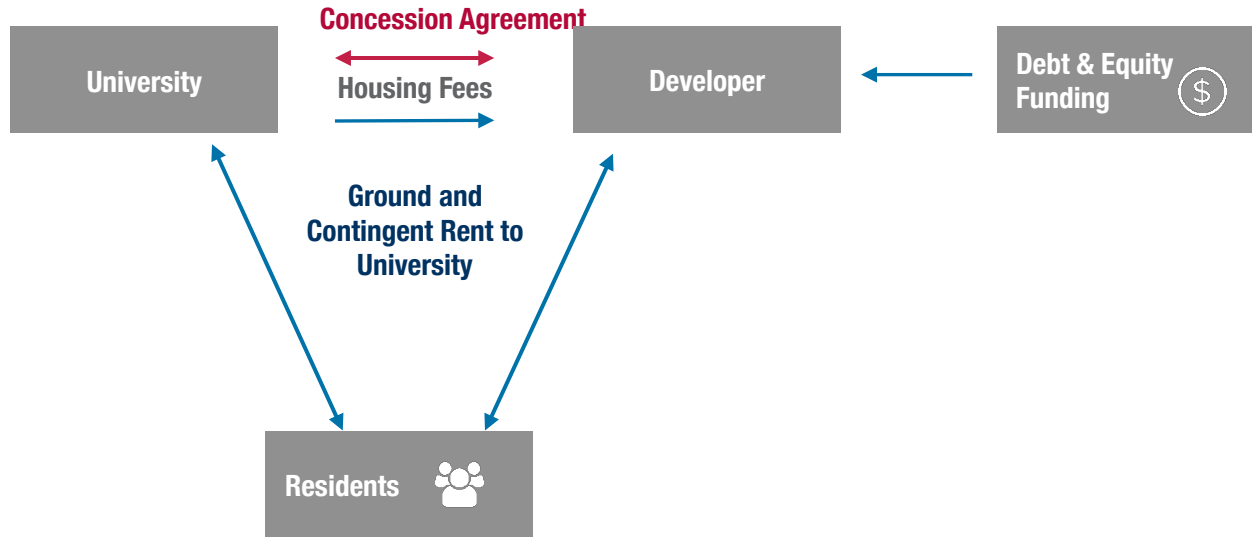
### Transaction Summary:

- 501(c)(3) – 40-year Ground Lease
- Financial Close – Spring 2017



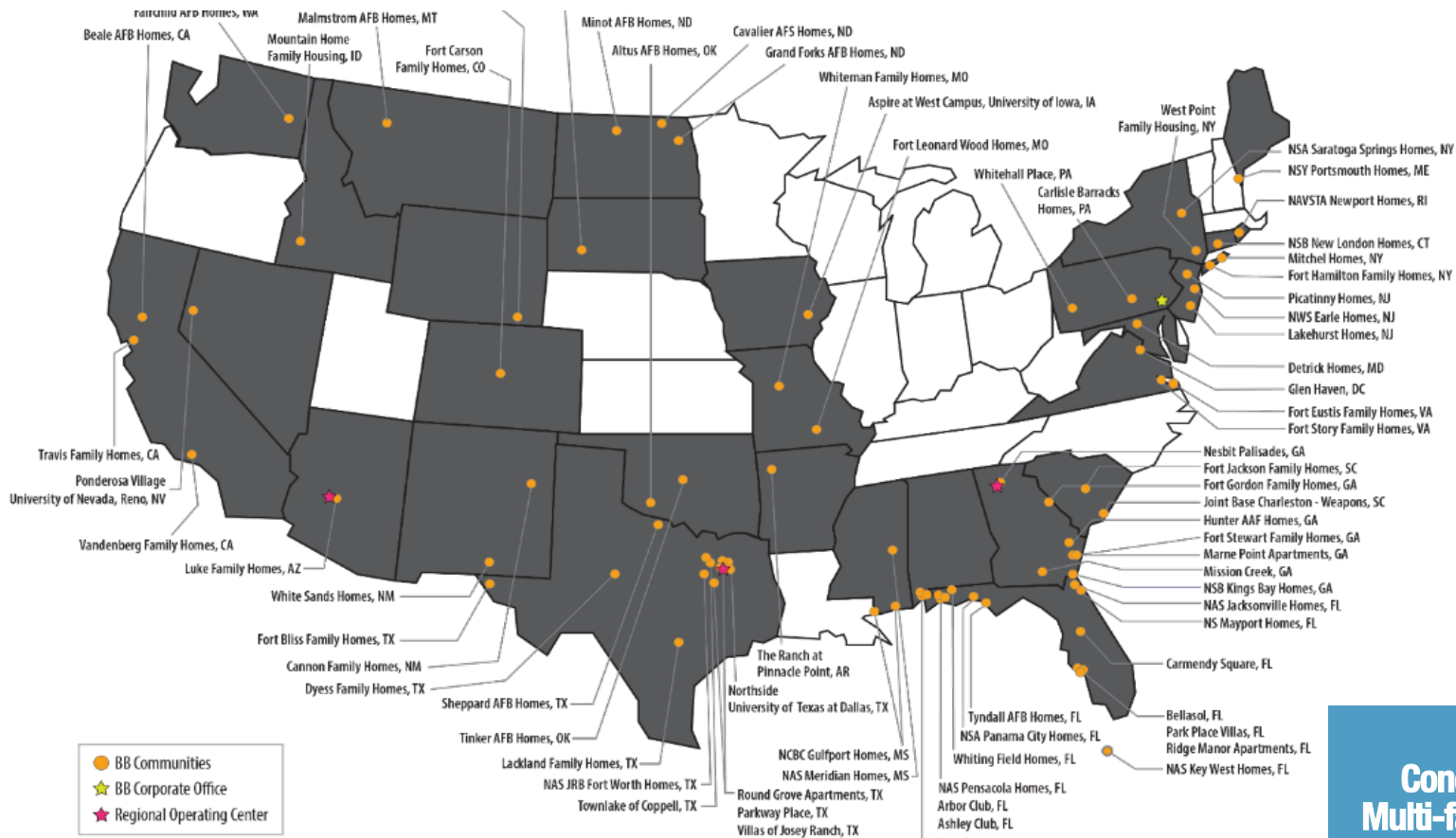
University of Oklahoma

# Concession Structure



## Description

- **University retains ownership of existing student housing assets**
- **BB has “lease” of new and select existing assets – license to collect revenues**
- **University option to retain control of Res-Life Program**
- **Defeasance of existing debt**
- **Programmatic long term maintenance and lifecycle budget – Reinvestment Account**



## Concession Projects Multi-family Development P3 Projects



**US Military Academy  
West Point**

**West Point, NY**

# West Point Whole Neighborhood Revitalization

## Renovation and Historic Preservation



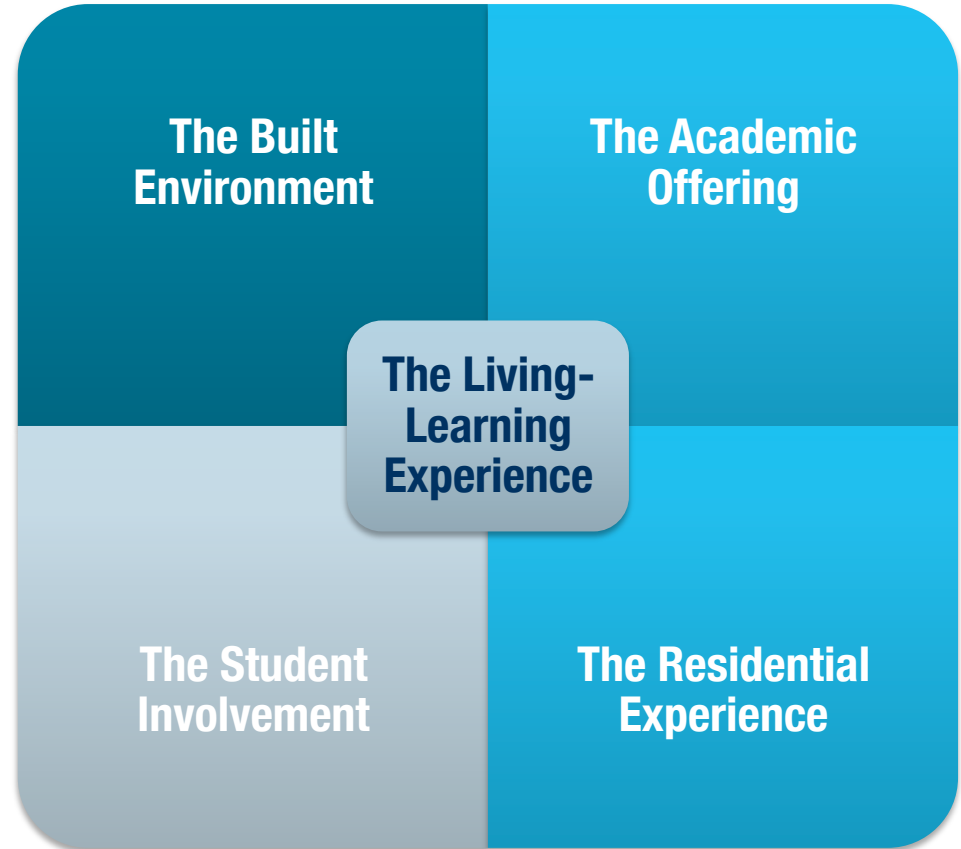
- **824 Units**
- **Single family units, apartments, and townhomes**
- **Community center, parking, outdoor recreational areas and infrastructure**
- **Total Project Cost \$218M**

**Operations**

# Operations and Facilities Management Structures

## **A Collaborative Partnership**

- **Menu of Services**
- **University Relations**
- **Facilities Management**
- **Confidence in Performance**
- **Sustainability Initiatives**



# University Partnership

## Day to Day

**Co-location of Offices**  
**Combined Staff Meetings**  
**Cross-Training**  
**Support for Other Entity**

## Weekly

**Service Request Summary**  
**Accounts Receivable Summary**  
**Occupancy Summary**  
**Pre-leasing Summary**

## Quarterly/Annual

**Management Review Committee (MRC)**  
**Performance Reviews**  
**Key Performance Indicators**

## Monthly

**Executive Summary**

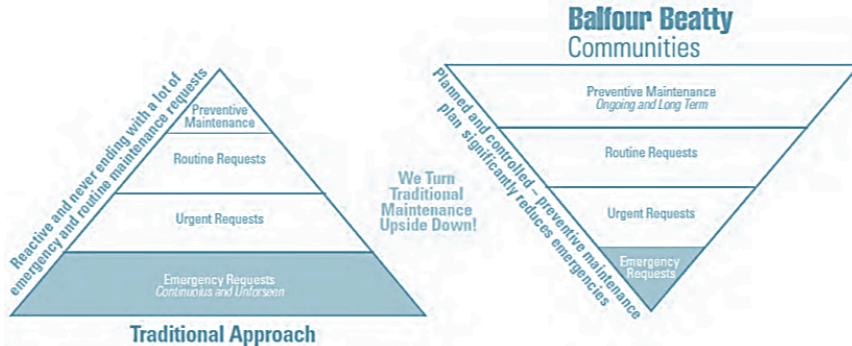
- **Leasing**
- **Marketing**
- **Facilities**
- **Financial Update**



# Hard F&M / Lifecycle

## Maintenance & Repair

- General Maintenance
- Quality Control
- Change of Occupancy
  - 7 Steps
- Preventative Maintenance



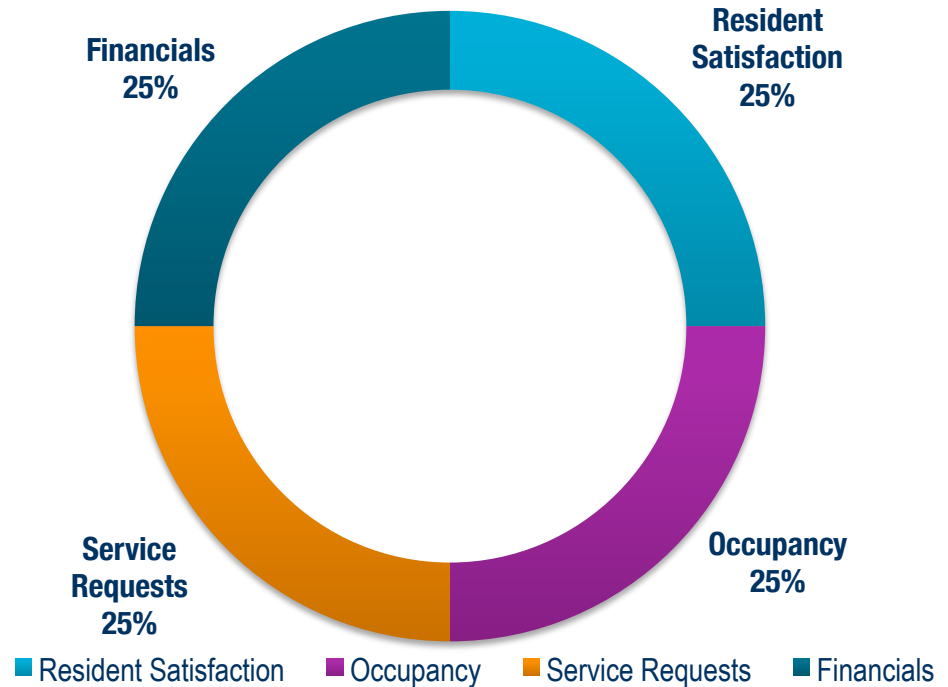
## Capital Replacement & Reserve

COMPONENTS	COMPONENT LIFE CYCLE
Carpeting	5 Years
Furniture	15 Years
Flooring	10 Years
Appliances	9 to 15 Years
Roofing	20 Years
HVAC	17.5 Years
Water Heater	11 Years
Exterior Painting	10 Years
Landscaping	5 Years
Recreational Amenities	10 Years
IT Equipment	10 Years

# Confidence in Performance

## Incentivized Operations and Facilities Management Fees

- Quantifiable Results of Key Performance Indicators
  - Annual Resident Satisfaction Surveys
  - Meeting/Exceeding pro forma occupancy benchmarks
  - Service Request Benchmark Performance
  - Project Financial Performance



# Sustainability



## Hard to Recycle Waste

- Points in exchange for waste
- 1 point = \$.01
- Donated to charity organizations



## Resident Competitions

- Building vs. Building
- RA vs. RA
- Lowest usage wins prize



## Behavior Based Conservation

- 15% Average savings per resident
- 40% opt-in rates
- Increased Resident Satisfaction



**Q&A.**